

TOWNSHIP OF ELMER
OSCODA COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2008

TOWNSHIP OFFICIALS

Supervisor

Martin Galbraith

Clerk

Rosemary L. Hoffman

Treasurer

Sue Stenson

TRUSTEES

Nancy Miller

Richard Ellis

TOWNSHIP OF ELMER

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James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

June 17, 2008

Township Board
Elmer Township
Oscoda County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Elmer, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, each major fund activity, and the aggregate remaining fund information of the Township of Elmer, as of March 31, 2008, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2-7 and budgetary comparison information on pages 27-34 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

A handwritten signature in dark ink, appearing to read 'JMA', is written over a horizontal line.

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

MEMBER MACPA and AICPA

TOWNSHIP OF ELMER MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Elmer Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2008.

Financial Highlights

- . The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$523,574 (*net assets*). Of this amount, \$320,403 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations.
- . The Township's total net assets increased by \$15,714.
- . As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$241,458, an increase of \$18,879 in comparison with the prior year.
- . At the end of the current fiscal year, unreserved fund balance for the general fund was \$241,458 or 172% of total general expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1)Government-wide financial statements, 2)Fund financial statements, and 3)Notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**TOWNSHIP OF ELMER
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, and highway & streets. The Township does not have any business-type activities as of and for the year ended March 31, 2008.

The Government-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains five governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Road, Cemetery Annex, Budget Stabilization and Hall Improvement Funds.

The Township adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements or schedules have been provided for the governmental funds herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 10-11 and 13-14 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**TOWNSHIP OF ELMER
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-26 of this report.

Government-wide Financial Analysis

(Because the township is required to have an audit every other year, the following tables present only current year data.)

A portion of the Township's net assets (38%) reflects its investments in capital assets (e.g., land, land improvements, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

Township's Net Assets

	<u>Governmental Activities</u>
Current and Other Assets	\$ 320,403
Capital Assets, Net	<u>203,171</u>
Total Assets	<u>523,574</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	203,171
Unrestricted	<u>320,403</u>
Total Net Assets	<u><u>\$ 523,574</u></u>

**TOWNSHIP OF ELMER
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

The Township's net assets increased by \$15,714 during the current fiscal year. Unrestricted net assets - the part of net assets that can be used to finance day to day operations, increased by \$27,703 or 9%, during the fiscal year ending March 31, 2008.

Township's Changes in Net Assets

	<u>Governmental Activities</u>
Revenue:	
Program Revenue:	
Charges for services	\$ 19,566
General Revenue:	
Property Taxes	32,300
State-Shared Revenues	98,148
Interest and other	<u>9,854</u>
Total Revenue	<u>159,868</u>
Expenses:	
General Government	103,973
Public Safety	20,345
Public Works	19,557
Highway and Streets	<u>279</u>
Total Expenses	<u>144,154</u>
Increase in Net Assets	15,714
Net Assets, Beginning of Year	<u>507,860</u>
Net Assets, End of Year	<u><u>\$ 523,574</u></u>

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**TOWNSHIP OF ELMER
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$320,403, an increase of \$27,703 in comparison with the prior year. The *undesignated fund balance*, which is available for spending at the Township's discretion, constitutes 100% of this total amount.

The primary governmental fund is the General Fund of the Township. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Undesignated fund balance represents 172% of total general fund expenditures.

The fund balance of the General Fund increased by \$18,879 during the current fiscal year.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The budgeted funds are the General, Road, Cemetery Annex, Budget Stabilization and Hall Improvement Funds.

Capital Assets and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of March 31, 2008, amounted to \$203,171 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, and equipment. Additions totaled \$9,098 for the fiscal year.

Township's Capital Assets
(net of depreciation)

Land	\$ 16,757
Buildings and Improvements	158,266
Vehicles and Equipment	<u>28,148</u>
Total	<u>\$ 203,171</u>

Additional information on the Township's capital assets can be found in note F on page 24 of this report.

**TOWNSHIP OF ELMER
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Factors Bearing on the Township's Future

The following factors were considered in preparing the Township's budget for the 2007-2008 fiscal year:

- . The State of Michigan has made significant cuts in their operating budgets due to a down turn of the economy. For 2007-2008, the Township received \$74,872 in state shared revenues, representing 47% of the revenues in the General Fund. The amounts of state shared revenues for future periods is uncertain and will affect the Township's budget.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

**Elmer Township
863 W. Kittle Road
Mio, MI 48647**

TOWNSHIP OF ELMER
STATEMENT OF NET ASSETS
MARCH 31, 2008

ASSETS	<u>Governmental Activities</u>
Current Assets:	
Cash and investments	\$ 292,194
Receivables:	
Taxes receivable	4,694
Other Governmental Units	<u>23,515</u>
Total Current Assets	320,403
Non-Current Assets:	
Capital Assets - Net	<u>203,171</u>
Total Assets	<u>523,574</u>
 NET ASSETS	
Invested in Capital Assets, Net of Related Debt	203,171
Unrestricted	<u>320,403</u>
 Total Net Assets	 <u><u>\$ 523,574</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ELMER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
GOVERNMENTAL ACTIVITIES					
General Government	\$ (103,973)	\$ 8,058	\$ -0-	\$ -0-	\$ (95,915)
Public Safety	(20,345)	-0-	-0-	-0-	(20,345)
Public Works	(19,557)	11,508	-0-	-0-	(8,049)
Highways & Streets	<u>(279)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(279)</u>
Total Governmental Activities	<u>\$ (144,154)</u>	<u>\$ 19,566</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>(124,588)</u>
GENERAL REVENUES					
Property Taxes Levied for:					
General Purpose					32,300
State Shared Revenue not restricted to specific purposes					98,148
Investment Earnings and Other					<u>9,854</u>
Total General Revenues					<u>140,302</u>
Change in Net Assets					15,714
Net Assets - April 1					<u>507,860</u>
Net Assets - March 31					<u>\$ 523,574</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ELMER
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2008

	<u>General</u>	<u>Road</u>	<u>Cemetery Annex</u>
ASSETS			
Cash and investments	\$ 213,249	\$ 52,272	\$ 818
Taxes receivable	4,694	-0-	-0-
Due from other units of government	<u>23,515</u>	<u>-0-</u>	<u>-0-</u>
Total Assets	<u>\$ 241,458</u>	<u>\$ 52,272</u>	<u>\$ 818</u>
FUND EQUITY			
Fund balance	<u>\$ 241,458</u>	<u>\$ 52,272</u>	<u>\$ 818</u>
Total Fund Equity	<u>\$ 241,458</u>	<u>\$ 52,272</u>	<u>\$ 818</u>

The accompanying notes are an integral part of the financial Statements.

<u>Budget Stabilization</u>	<u>Hall Improvement</u>	<u>Totals</u>
\$ 20,000	\$ 5,855	\$ 292,194
-0-	-0-	4,694
-0-	-0-	23,515
<u>\$ 20,000</u>	<u>\$ 5,855</u>	<u>\$ 320,403</u>
<u>\$ 20,000</u>	<u>\$ 5,855</u>	<u>\$ 320,403</u>
<u>\$ 20,000</u>	<u>\$ 5,855</u>	<u>\$ 320,403</u>

TOWNSHIP OF ELMER
RECONCILIATION OF FUND BALANCES ON BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
MARCH 31, 2008

TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES \$ 320,403

Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital assets used in governmental activities are
not current financial resources and therefore are
not recorded in the funds. This represents the
amounts by which capital assets used in governmental
funds exceeds accumulated depreciation. 203,171

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 523,574

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ELMER
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
 FUND BALANCE - GOVERNMENTAL FUND TYPES
 YEAR ENDED MARCH 31, 2008

	<u>General</u>	<u>Road</u>	<u>Cemetery Annex</u>
Revenues:			
Taxes and assessments	\$ 32,300	\$ -0-	\$ -0-
Intergovernmental	98,148	-0-	-0-
Charges for services	19,566	-0-	-0-
Interest	8,168	2,223	43
Other	<u>506</u>	<u>-0-</u>	<u>-0-</u>
Total Revenues	<u>158,688</u>	<u>2,223</u>	<u>43</u>
Expenditures:			
General government	87,407	-0-	2,038
Public Safety	20,345	-0-	-0-
Public Works	19,557	-0-	-0-
Highways and streets	<u>-0-</u>	<u>279</u>	<u>-0-</u>
Total Expenditures	<u>127,309</u>	<u>279</u>	<u>2,038</u>
Excess:			
Revenue over (under) expenditures	<u>31,379</u>	<u>1,944</u>	<u>(1,995)</u>
Other financing sources (uses):			
Operating transfers in	-0-	10,000	2,500
Operating transfers (out)	<u>(12,500)</u>	<u>-0-</u>	<u>-0-</u>
Total Other Financing Sources (Uses)	<u>(12,500)</u>	<u>10,000</u>	<u>2,500</u>
Excess:			
Revenue and other financing sources over (under) expenditures and other Uses	18,879	11,944	505
Fund Balance - April 1	<u>222,579</u>	<u>40,328</u>	<u>313</u>
Fund Balance - March 31	<u><u>\$ 241,458</u></u>	<u><u>\$ 52,272</u></u>	<u><u>\$ 818</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Budget Stabilization</u>	<u>Hall Improvement</u>	<u>Totals</u>
\$ -0-	\$ -0-	\$ 32,300
-0-	-0-	98,148
-0-	-0-	19,566
-0-	326	10,760
<u>-0-</u>	<u>-0-</u>	<u>506</u>
<u>-0-</u>	<u>326</u>	<u>161,280</u>
-0-	3,951	93,396
-0-	-0-	20,345
-0-	-0-	19,557
<u>-0-</u>	<u>-0-</u>	<u>279</u>
<u>-0-</u>	<u>3,951</u>	<u>133,577</u>
<u>-0-</u>	<u>(3,625)</u>	<u>27,703</u>
-0-	-0-	12,500
<u>-0-</u>	<u>-0-</u>	<u>(12,500)</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
-0-	(3,625)	27,703
<u>20,000</u>	<u>9,480</u>	<u>292,700</u>
<u>\$ 20,000</u>	<u>\$ 5,855</u>	<u>\$ 320,403</u>

TOWNSHIP OF ELMER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 27,703

Amounts reported for governmental activities in the
Statement of Activities are different because:

Governmental funds report capital outlays as
expenditures. However in the statement of activities,
the cost of these assets are capitalized and
depreciation charged to expense over their useful
life.

(11,989)

CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 15,714

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ELMER
STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2008

ASSETS		
Cash and Investments		\$ <u>1</u>
LIABILITIES		
Undistributed Collections		<u>1</u>
Total Liabilities		<u>1</u>
NET ASSETS		
Net Assets		\$ <u><u>-0-</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ELMER
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED MARCH 31, 2008

REVENUES	
Property Tax Collections	\$ 328,432
Interest and Other Collections	<u>1,937</u>
Total Revenues	<u>330,369</u>
EXPENDITURES	
Property Taxes	328,432
Other	<u>1,937</u>
Total Expenditures	<u>330,369</u>
Excess of Revenues over Expenditures	-0-
Net Assets - April 1	<u>-0-</u>
Net Assets - March 31	<u><u>\$ -0-</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ELMER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

NOTE A: ENTITY

The Township of Elmer is a general law township of the State of Michigan located in Oscoda County, Michigan. It operates under an elected board and provides services to its residents in many areas including public safety, street development and maintenance, and general administrative services. As required by generally accepted accounting principles and governmental Accounting Standards Board (GASB) Statement no. 14 "The Financial Reporting Entity", these financial statements present the Township of Elmer (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Elmer conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: The government-wide financial statements (i.e., the statements of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Indirect expenses* are charged based upon a Township-wide cost allocation plan which allocates costs based upon the number of full time equivalents, number of transactions, and other pertinent information. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWNSHIP OF ELMER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION: The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and select compensated absences are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports following major governmental funds:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Road Fund* is a special revenue fund used to account for revenues and expenditures relating to local road improvements financed by the Township and contracted out through the Oscoda County Road commission.

TOWNSHIP OF ELMER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

The Township reports the following non-major governmental funds:

Hall Improvement
Budget Stabilization
Cemetery Annex

Additionally, the Township reports the following fund types:

Agency Funds are used to account for assets held on behalf of outside parties, including other governments.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2007, are recorded as revenue in the current year. The Township's taxable value for the 2007 tax year totaled \$38,540,413.

The tax rates for the year ended March 31, 2008, were as follows:

<u>PURPOSE</u>	<u>RATE/ASSESSED VALUATION</u>
General	.8388 mills per \$1,000

BUDGETS - Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township for budgetary funds were adopted on a fund level. Budgets are normally formulated during January and February of each year and a budget hearing is held in March. The board normally adopts the budget just prior to April 1. Amendments are made to the budgets when determined to be necessary throughout the year. Unused appropriations for budgeted activities lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWNSHIP OF ELMER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exists. Donated capital assets are valued at their estimated fair value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on the capital assets (including infrastructure), is computed using the straight-line or sum-of-the-years digits method over the following estimated useful lives:

	<u>Years</u>
Land improvements	20
Buildings	30-50
Public domain infrastructure	8-50
Equipment	3-20

LONG-TERM OBLIGATIONS - In the government-wide financial statements, the long-term debt and other long-term obligations are reported as liabilities. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Currently, the Township has no outstanding long-term obligations.

TOWNSHIP OF ELMER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008

NOTE C - CASH AND INVESTMENTS

The captions on the balance sheets related to deposits and investments are as follows:

	<u>Cash and Deposits</u>	<u>Investments</u>	<u>Total</u>
Government Activities	\$ 35,021	\$ 257,173	\$ 292,194
Agency funds	<u>1</u>	<u>-0-</u>	<u>1</u>
Total	<u>\$ 35,022</u>	<u>\$ 257,173</u>	<u>\$ 292,195</u>

Deposits - At year-end, the carrying amount of the Township's deposits was \$35,022 and the bank balance was \$35,870. According to Section 330.8 of the Federal Deposit Insurance Corporation Rules and Regulations, 100% of the total bank balance was covered by federal depository insurance.

The Government Accounting Standards Board Statement No. 3 risk disclosures for Elmer Township's cash deposits are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 35,022	\$ 35,870
Uninsured and Uncollateralized	<u>-0-</u>	<u>-0-</u>
Total Deposits	<u>\$ 35,022</u>	<u>\$ 35,870</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Interest Rate Risk

The Township has not adopted a policy that indicates how the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of Credit Risk

The Township has adopted a policy that indicates that the Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

TOWNSHIP OF ELMER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008

NOTE C - CASH AND INVESTMENTS (CONTINUED)

Investments - Act 217, PA 20 of 1982, authorizes the Township to deposit and invest in the following:

- a. Bonds and other direct obligations of the United States or its agencies.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- c. Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time.
- d. United States governmental or Federal agency obligation repurchase agreements.
- e. Bankers' acceptance of United States banks.
- f. Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Township's name.

	Category			Carrying Amount	Market Value
	1	2	3		
Risk Categorized:					
Citizens Bank-Treasury Portfolio	\$ -0-	\$ -0-	\$ 257,173	\$ 257,173	\$ 257,173
Total Investments	\$ -0-	\$ -0-	\$ 257,173	\$ 257,173	\$ 257,173

TOWNSHIP OF ELMER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008

NOTE D - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year ended March 31, 2008 the Elmer Township incurred expenditures in excess of the amounts appropriated as follows:

<u>Fund</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Township Board	\$ 12,600	\$ 13,893	\$ (1,293)
Election Board	1,000	1,455	(455)
Township Clerk	12,000	13,184	(1,184)
Township Treasurer	14,000	14,550	(550)
Township Hall	10,000	13,540	(3,540)
Cemetery	5,500	7,106	(1,606)
Public Works	19,400	19,557	(157)
Hall Improvement Fund:			
Hall improvements	2,000	3,951	(1,951)

NOTE E - DUE FROM OTHER UNITS OF GOVERNMENT

Due from other units of government consists of State revenue of \$23,515.

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008 was as follows:

<u>Primary Government</u>	<u>Beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
Governmental activities:				
Land	\$ 16,757	\$ -0-	\$ -0-	\$ 16,757
Total capital Assets, not being depreciated	16,757	-0-	-0-	16,757
Capital assets, being depreciated:				
Building and improvements	199,708	1,740	-0-	201,448
Vehicles and equipment	53,446	7,358	2,695	58,109
Total capital assets, being depreciated	253,154	9,098	2,695	259,557
Less accumulated depreciation for:				
Buildings and improvements	31,856	11,326	-0-	43,182
Vehicles and equipment	22,895	8,349	1,283	29,961
Total accumulated depreciation	54,751	19,675	1,283	73,143
Net capital assets, being depreciated	198,403	(10,577)	1,412	186,414
Net governmental activities capital assets	\$ 215,160	\$ (10,577)	\$ 1,412	\$ 203,171

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 19,675

TOWNSHIP OF ELMER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2008

NOTE G- PARTIAL SELF-INSURANCE

The Township is a member of the Michigan Township Participating Plan. As a member of the Plan, the Township is partially self-insured for general and auto liability, motor vehicle physical damage and property loss claims. Under most circumstances, the municipality's maximum coverage is limited as follows:

<u>Type</u>	<u>Limit</u>	<u>Deductible</u>
Property	\$ 401,300	100
Liability	1,000,000	-0-
Errors and Omission	1,000,000	-0-
Automobiles	1,000,000	-0-
Crime	10,000	-0-
Inland Marine	5,000	100
Workmen's Compensation	STATUTORY	-0-

NOTE H - PENSION PLAN

Elmer Township provides pension benefits for the Township board and regular employees through a defined contribution plan. The eligible individuals may elect to participate in the Social Security system in lieu of participating in the pension plan. The plan is administered by Municipal Retirement Systems Inc. which invests the Township's contributions with the Gleaner Life Insurance Society.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

The Township contribution was 7.5% of the participant earnings. The plan does not allow participants to make contributions. The Township's contributions for each participant are fully vested when paid to the plan. A participant that leaves the employment of the Township is entitled to the balance in his individual annuity account.

The Township's total payroll for the year ended March 31, 2008, was \$46,663. The payroll of the eligible participants was \$20,130; the Township made the required contribution of \$1,510.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township.

The plan held no securities of the Township or other related parties during the year or as of the close of the fiscal year.

TOWNSHIP OF ELMER
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2008

NOTE I - JOINT VENTURE - FIRE PROTECTION

Elmer Township is a participant in a joint venture, Tri-Town Fire Department, with the Townships of Mentor and Big Creek for the purpose of providing fire protection services to the residents of the townships. The Tri-Town Fire Board is composed of the Supervisor of each of the three townships, two township board members from Big Creek Township and one township board member from each of Mentor Township and Elmer Township.

The Fire Department financial statements as of March 31, 2007 included the following:

The General Fund as of March 31, 2007 consisted of the following:

Cash and Investments	\$ 39,262
Fund balance	38,444

Activity for the year ended March 31, 2007 consisted of the following:

Revenues	\$ 82,007
Expenditures	87,109

Capital Assets net of depreciation totaled \$207,575.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

TOWNSHIP OF ELMER
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2008

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes and assessments	\$ 33,500	\$ 33,500	\$ 32,300	\$ (1,200)
Intergovernmental	80,000	80,000	98,148	18,148
Charges for services	19,900	19,900	19,566	(334)
Interest	8,000	8,000	8,168	168
Other	2,500	2,500	506	(1,994)
Total Revenues	<u>143,900</u>	<u>143,900</u>	<u>158,688</u>	<u>14,788</u>
Expenditures:				
General government	80,100	80,100	87,407	(7,307)
Fire	23,000	23,000	20,345	2,655
Public works	19,400	19,400	19,557	(157)
Capital outlay	1,000	1,000	-0-	1,000
Total Expenditures	<u>123,500</u>	<u>123,500</u>	<u>127,309</u>	<u>(3,809)</u>
Excess:				
Revenue over (under) expenditures	<u>20,400</u>	<u>20,400</u>	<u>31,379</u>	<u>10,979</u>
Other financing sources (uses):				
Operating transfers out	<u>(12,500)</u>	<u>(12,500)</u>	<u>(12,500)</u>	<u>-0-</u>
Total Other Financing Sources (Uses)	<u>(12,500)</u>	<u>(12,500)</u>	<u>(12,500)</u>	<u>-0-</u>
Excess:				
Revenue over (under) expenditures and other financing uses	7,900	7,900	18,879	10,979
Fund Balance April 1	<u>222,579</u>	<u>222,579</u>	<u>222,579</u>	<u>-0-</u>
Fund Balance - March 31	<u>\$ 230,479</u>	<u>\$ 230,479</u>	<u>\$ 241,458</u>	<u>\$ 10,979</u>

TOWNSHIP OF ELMER
ROAD FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR THE YEAR ENDED MARCH 31, 2008

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:				
Interest	\$ 1,000	\$ 1,000	\$ 2,223	\$ 1,223
Total Revenue	<u>1,000</u>	<u>1,000</u>	<u>2,223</u>	<u>1,223</u>
Expenditures:				
Road improvements	<u>500</u>	<u>500</u>	<u>279</u>	<u>221</u>
Total Expenditures	<u>500</u>	<u>500</u>	<u>279</u>	<u>221</u>
Excess:				
Revenue over (under) expenditures	<u>500</u>	<u>500</u>	<u>1,944</u>	<u>1,444</u>
Other financing sources (uses):				
Operating transfers in	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-0-</u>
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-0-</u>
Excess:				
Revenue and other financing sources over (under) expenditures	10,500	10,500	11,944	1,444
Fund balance (deficit)				
January 1	<u>40,328</u>	<u>40,328</u>	<u>40,328</u>	<u>-0-</u>
Fund balance (deficit)				
December 31	<u>\$ 50,828</u>	<u>\$ 50,828</u>	<u>\$ 52,272</u>	<u>\$ 1,444</u>

TOWNSHIP OF ELMER
CEMETERY ANNEX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR THE YEAR ENDED MARCH 31, 2008

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:				
Interest	\$ 200	\$ 200	\$ 43	\$ (157)
Total Revenue	<u>200</u>	<u>200</u>	<u>43</u>	<u>(157)</u>
Expenditures:				
Cemetery improvements	<u>2,200</u>	<u>2,200</u>	<u>2,038</u>	<u>162</u>
Total Expenditures	<u>2,200</u>	<u>2,200</u>	<u>2,038</u>	<u>162</u>
Excess:				
Revenue over (under) expenditures	<u>(2,000)</u>	<u>(2,000)</u>	<u>(1,995)</u>	<u>5</u>
Other financing sources (uses):				
Operating transfers in	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>-0-</u>
Total Other Financing Sources (Uses)	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>-0-</u>
Excess:				
Revenue and other financing sources over (under) expenditures	500	500	505	5
Fund balance (deficit) January 1	<u>313</u>	<u>313</u>	<u>313</u>	<u>-0-</u>
Fund balance (deficit) December 31	<u>\$ 813</u>	<u>\$ 813</u>	<u>\$ 818</u>	<u>\$ 5</u>

TOWNSHIP OF ELMER
HALL IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR THE YEAR ENDED MARCH 31, 2008

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:				
Interest	<u>\$ 250</u>	<u>\$ 250</u>	<u>\$ 326</u>	<u>\$ 76</u>
Total Revenue	<u> 250</u>	<u> 250</u>	<u> 326</u>	<u> 76</u>
Expenditures:				
Hall improvements	<u> 2,000</u>	<u> 2,000</u>	<u> 3,951</u>	<u> (1,951)</u>
Total Expenditures	<u> 2,000</u>	<u> 2,000</u>	<u> 3,951</u>	<u> (1,951)</u>
Excess:				
Revenue over (under) expenditures	<u> (1,750)</u>	<u> 1,750</u>	<u> (3,625)</u>	<u> (1,875)</u>
Fund balance (deficit) January 1	<u> 9,480</u>	<u> 9,480</u>	<u> 9,480</u>	<u> -0-</u>
Fund balance (deficit) December 31	<u><u> \$ 7,730</u></u>	<u><u> \$ 7,730</u></u>	<u><u> \$ 5,855</u></u>	<u><u> \$ (1,875)</u></u>

TOWNSHIP OF ELMER
GENERAL FUND
STATEMENT OF REVENUES - COMPARED TO BUDGET
YEAR ENDED MARCH 31, 2008

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes and Assessments:				
General property taxes	\$ 33,500	\$ 33,500	\$ 32,300	\$ (1,200)
Total Taxes and Assessments	<u>33,500</u>	<u>33,500</u>	<u>32,300</u>	<u>(1,200)</u>
Intergovernmental:				
Metro authority			2,709	
State shared revenues			74,872	
State swamp tax			<u>20,567</u>	
Total Intergovernmental	<u>80,000</u>	<u>80,000</u>	<u>98,148</u>	<u>18,148</u>
Charges for Services:				
Fees	14,100	14,100	14,735	635
Dust control	4,000	4,000	3,271	(729)
Rent	<u>1,800</u>	<u>1,800</u>	<u>1,560</u>	<u>(240)</u>
Total Charges for Services	<u>19,900</u>	<u>19,900</u>	<u>19,566</u>	<u>(334)</u>
Interest	<u>8,000</u>	<u>8,000</u>	<u>8,168</u>	<u>168</u>
Other:				
Miscellaneous	<u>2,500</u>	<u>2,500</u>	<u>506</u>	<u>(1,994)</u>
Total Other	<u>2,500</u>	<u>2,500</u>	<u>506</u>	<u>(1,994)</u>
Total Revenue	<u>\$ 143,900</u>	<u>\$ 143,900</u>	<u>\$ 158,688</u>	<u>\$ 14,788</u>

TOWNSHIP OF ELMER
GENERAL FUND
STATEMENT OF EXPENDITURES - COMPARED TO BUDGET
YEAR ENDED MARCH 31, 2008

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Government				
Township Board:				
Salaries-board	\$	\$	\$ 3,000	\$
Payroll taxes			2,370	
Retirement			1,510	
Insurance			5,075	
Legal and professional			210	
Telephone			189	
Printing and publishing			23	
Office supplies			439	
Dues and fees			962	
Miscellaneous			115	
Total Township Board	<u>12,600</u>	<u>12,600</u>	<u>13,893</u>	<u>(1,293)</u>
Township Supervisor:				
Salary			7,540	
Total Township Supervisor	<u>8,000</u>	<u>8,000</u>	<u>7,540</u>	<u>460</u>
Township Assessor:				
Notices and postage			615	
Professional services			13,036	
Programming and support			1,667	
Total Township Assessor	<u>16,000</u>	<u>16,000</u>	<u>15,318</u>	<u>682</u>

TOWNSHIP OF ELMER
GENERAL FUND
STATEMENT OF EXPENDITURES - COMPARED TO BUDGET
YEAR ENDED MARCH 31, 2008

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Government (continued)				
Election Board:				
Wages	\$	\$	\$ 880	\$
Printing and Publishing			400	
Training			175	
Total Election Board	<u>1,000</u>	<u>1,000</u>	<u>1,455</u>	<u>(455)</u>
Township Clerk:				
Salary - clerk			8,500	
Salary - deputy			2,120	
Mileage			34	
Office supplies			754	
Dues and fees			120	
Programming and support			389	
Legal and professional			495	
Repairs and maintenance			103	
Capital outlay			669	
Total Township Clerk	<u>12,000</u>	<u>12,000</u>	<u>13,184</u>	<u>(1,184)</u>
Township Treasurer:				
Salary - treasurer			8,640	
Salary - deputy			2,015	
Mileage			457	
Dues/Fees			560	
Office supplies			1,583	
Telephone			5	
Computer support			1,290	
Total Township Treasurer	<u>14,000</u>	<u>14,000</u>	<u>14,550</u>	<u>(550)</u>
Board of Review:				
Salaries			775	
Printing and publishing			46	
Total Board of Review	<u>1,000</u>	<u>1,000</u>	<u>821</u>	<u>179</u>

TOWNSHIP OF ELMER
GENERAL FUND
STATEMENT OF EXPENDITURES - COMPARED TO BUDGET
YEAR ENDED MARCH 31, 2008

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Government (continued)				
Township Hall:				
Maintenance wages	\$	\$	\$ 4,380	\$
Contract services			952	
Operating supplies			663	
Telephone			715	
Utilities			2,760	
Repairs and maintenance			675	
Capital outlay			3,395	
Total Township Hall	<u>10,000</u>	<u>10,000</u>	<u>13,540</u>	<u>(3,540)</u>
Cemetery				
Maintenance wages			2,726	
Contract services			200	
Supplies			430	
Grave openings			3,750	
Total Cemetery	<u>5,500</u>	<u>5,500</u>	<u>7,106</u>	<u>(1,606)</u>
Total General Government	<u>80,100</u>	<u>80,100</u>	<u>87,407</u>	<u>(7,307)</u>
Public Safety:				
Fire protection	<u>23,000</u>	<u>23,000</u>	<u>20,345</u>	<u>2,655</u>
Total Public Safety	<u>23,000</u>	<u>23,000</u>	<u>20,345</u>	<u>2,655</u>
Public Works:				
Transfer sight			15,174	
Street lights			1,047	
Dust control			3,336	
Total Public Works	<u>19,400</u>	<u>19,400</u>	<u>19,557</u>	<u>(157)</u>
Capital outlay	<u>1,000</u>	<u>1,000</u>	<u>-0-</u>	<u>1,000</u>
Total Expenditures	<u>123,500</u>	<u>123,500</u>	<u>127,309</u>	<u>(3,809)</u>
Other Financing Uses:				
Transfer out	<u>12,500</u>	<u>12,500</u>	<u>12,500</u>	<u>-0-</u>
Total Expenditures and Other Financing Uses	<u>\$ 136,000</u>	<u>\$ 136,000</u>	<u>\$ 139,809</u>	<u>\$ (3,809)</u>



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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**COMMUNICATION OF SIGNIFICANT DEFICIENCIES
AND MATERIAL WEAKNESSES**

June 17, 2008

Township Board
Elmer Township
Oscoda County, Michigan

In planning and performing my audit of the financial statements of the governmental activities and each major fund of the Township of Elmer, Michigan as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, I considered Elmer Township's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly I do not express an opinion on the effectiveness of the governmental unit's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the following deficiencies to be significant deficiencies in internal control.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Township Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). As is the case with most small and medium-sized entities, the Township has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot, by definition, be considered a part of the government's internal controls. This condition was caused by the Township's determination that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control. I believe that the deficiencies described above are material weaknesses.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

A handwritten signature in cursive script, appearing to read "J M Anderson".

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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June 17, 2008

Township Board
Elmer Township
Oscoda County, MI

Dear Board Members:

I have audited the financial statements of each major fund and the aggregate remaining fund information of the Township of Elmer for the year ended March 31, 2008, and have issued my report thereon dated June 17, 2008. Professional standards require that I provide you with the following information related to my audit.

My Responsibility Under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in my engagement letter dated June 16, 2008, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me.

As part of my audit, I considered the internal control of the Township of Elmer. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Elmer's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Elmer are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. I noted no transactions entered into by the Township of Elmer during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Elmer Township's financial reporting process (that is, cause future financial statements to be materially misstated). In my judgment, none of the adjustments I proposed, whether recorded or unrecorded by the Township of Elmer, either individually or in the aggregate, indicate matters that could have a significant effect on Elmer Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves applications of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Elmer Township's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Township Board
Elmer Township
June 17, 2008
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Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing my audit.

This information is intended solely for the use of management, Township Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "James M. Anderson".

James M. Anderson, P.C.
Certified Public Accountant